Saskatchewan Government Insurance

Superannuation Plan

2004

Annual Report

105-04314/

MESSAGE FROM THE CHAIR

I am pleased to report that the Plan is in a comfortable financial position at the end of 2004. The Plan had a solid return on Plan assets of 9.3% during the year as a result of a prudent long-term investment policy coupled with disciplined investing.

Given the relative uncertainty of asset markets these past few years, members of pension plans may be concerned with how their pension plans are being operated. Increased importance is being placed on demonstrating proper governance practices for pension plans. The Committee is continuing to work on improvements to communications about the Plan's structure, governance and financial performance. This annual report contains information on these topics to assist members in understanding their pension plan.

I look forward to serving the Plan in 2005.

Kevin Taylor, Chair
SGI Superannuation Plan Committee

PLAN OVERVIEW

The Saskatchewan Government Insurance (SGI) Superannuation Plan is a pension plan registered under the *Saskatchewan Government Insurance Act*, 1980, which gives SGI the authority to organize and support the defined benefit pension plan, subject to the *Pension Benefits Act*. The Plan is maintained by SGI for employees who were hired prior to Jan. 1, 1980 and who did not elect to transfer to the defined contribution plan.

The Act guarantees members' basic pension regardless of the financial status of the Plan. The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets totaled $44.4 million at year end. Diversification of the Plan's assets helps to maximize the return on Plan assets and minimize the impact of volatility in individual markets.

PLAN GOVERNANCE

Overall governance and administration of the Plan resides with SGI. The Superannuation Committee, which makes recommendations to the SGI Board of Directors, acts on and decides all matters pertaining to administration of the Plan. SGI board members are appointed by Order in Council pursuant to the *Saskatchewan Government Insurance Act*, 1980.

The role of the Board and the Committee are set out in the plan text.

The Board is responsible for:

- approving amendments to the Plan, as referred by the Committee;
- appointing a member to the Committee;
- dealing with such other matters as may be referred to it by the Committee; and
- in consultation with the Committee, interpreting the intent of the Plan in circumstances where its terms and conditions may be the subject of such interpretation.

The Committee is responsible for:

- standing in a fiduciary relationship to Members, Inactive Members, Pensioners and any other individuals entitled to benefits pursuant to the Plan;
- maintaining such records as are necessary to accurately calculate the benefits due to Members and Inactive Members in accordance with the terms of the Plan;
- declaring interest rates, upon recommendation of the Actuary;
- receiving all contributions and authorizing all benefit payments in accordance with the terms of the Plan;
- providing an annual statement to all Members and Inactive Members and keeping adequate accounts of the Fund;
- approving reciprocal agreements, amendments and conducting related correspondence;
- safekeeping the Plan and conducting correspondence with respect to the Plan as required;
- approving the investment policy;
- ensuring the Plan is administered in accordance with its terms as registered;
- approving or directing that pensions be paid directly from the Fund;
- filing annual information returns with the Superintendent of Pensions and the Canada Revenue Agency; and
- conducting correspondence with respect to the Plan as may be required.

Committee Composition

Kevin Taylor, Chair
Manager, Benefit Administration, SGI

Ken Klein
Executive Director, Capital Pension and Benefits
CIC representative

Jim Crighton
Member representative

Lydia Kapell, Supervisor Benefit Administration, serves as Secretary for the Committee.

Committee members serve in a voluntary capacity and do not receive compensation for their services from the Plan. The Plan covers any out-of-pocket expenses incurred by the Committee in the course of serving the Plan.

Plan Administration

Personnel at SGI administer the Plan on a day-to-day basis. Primary responsibility lies with the Manager, Benefit Administration, who also acts as the Chair of the Committee. The Supervisor, Benefit Administration, acts as the Secretary to the Committee. Plan administrators are responsible for executing decisions made by the Committee and/or Board within approved policies and directives. Administrators act as primary contacts for members and are responsible for reporting to the Committee on all aspects of Plan performance.

Investment Manager

The Plan's investment manager is Greystone Managed Investments Inc. The investment manager implements an investment strategy within their mandate and reports results to the Committee on a quarterly basis.

Investment Advisor

The Committee has retained James P. Marshall Inc. for recommendation on investment policy and objectives and to provide an analytical review of the investment portfolio and the investment managers' performance relative to peers and the Plan benchmarks. The investment advisor monitors risk characteristics and comments on performance and advises the Committee on overall investment policy and management that would best achieve the Plan objectives.

Custodian

The Plan's custodian, RBC Global Services, holds custody of the assets of the Plan and is responsible for executing investment transactions and collecting income. The custodian ensures that investment income is collected and provides record-keeping services for the Plan.

Actuary

The role of Aon Consulting Inc. is to prepare actuarial valuations for accounting purposes annually and for funding purposes on a regular basis (normally every three years). The most recent funding valuation took place in 2003 for the year ended Dec. 31, 2002. The actuary also provides the Committee with information regarding administration of the Plan, and makes recommendations related to policies on benefits and funding.

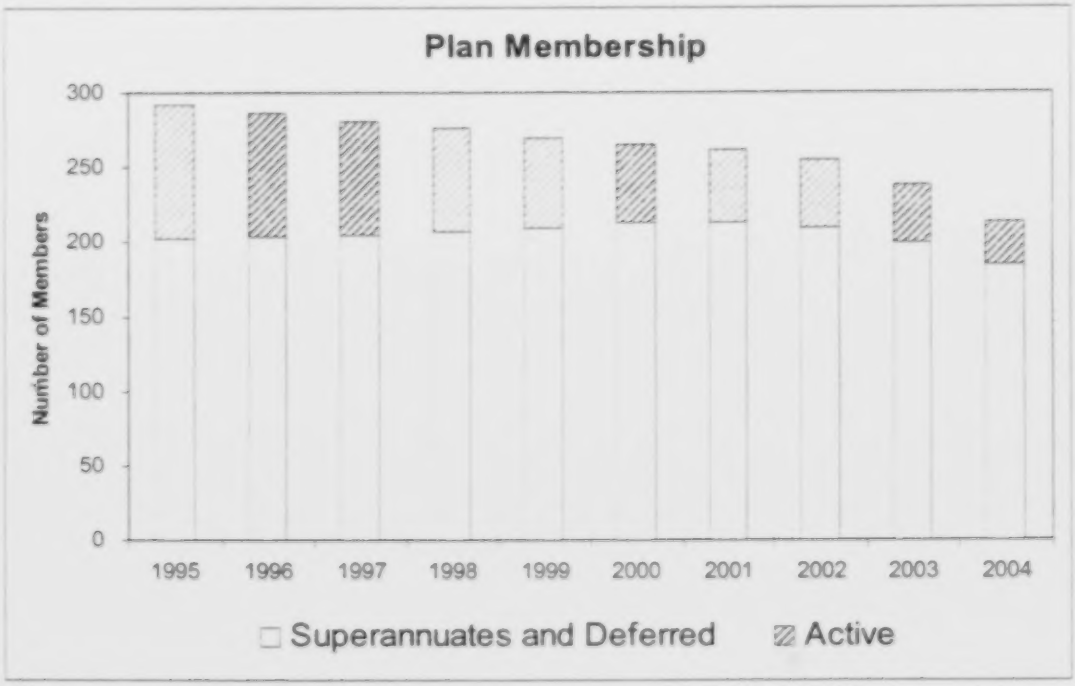
Auditor

The Plan's external auditors, KPMG, are contracted to perform annual audits of the Plan's fiscal year end financial statements prepared by management of SGI. The audit focuses on the existence, completeness and valuation of Plan assets, the measurement of Plan income and expenses; and the fairness of presentation in accordance with Canadian generally accepted accounting principles.

KPMG conducted an independent examination of the Plan's year end financial statements. The firm's professional opinion on the financial statements is found in its auditors' report attached to the financial statements.

PLAN DEMOGRAPHICS

The Plan has been substantially closed to new members since 1980. The number of active members has continued to decline, with approximately 86% of the total Plan membership receiving benefits from the Plan. In 2004 there were 182 people receiving a pension, 2 people eligible for a deferred pension and 28 active members.



INVESTMENT HIGHLIGHTS

Investment Strategy

The investment objective of the Plan is to prudently manage Plan assets to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. Considerations include growth in liabilities from active members combined with providing pension supplements to offset inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve income and growth objectives. Accordingly, a diversified long-term asset mix strategy with a bias to fixed income is warranted.

Investment Policy

The Plan has a Statement of Investment Policies and Objectives (the Policy) approved by the Committee. The Policy reflects the philosophy of diversification and protection of capital and provides guidance to the investment manager. The purpose of the Policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for Plan governance. The Policy conforms to applicable legislation and the specific characteristics of the Plan.

The Policy has set a target mix of 40% equity and 60% fixed income. Foreign equity content target is set at 24%. The actual mix at any one time, however, may differ from this target within ranges specified in the Policy due to fluctuations in the market.

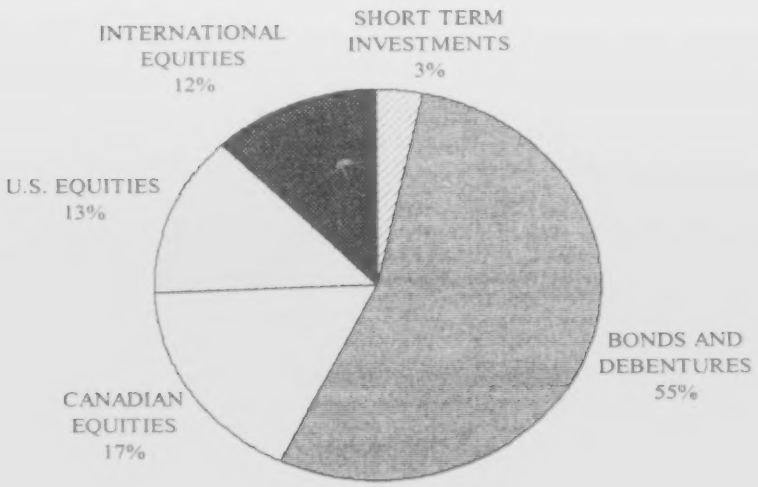
Monitoring Plan performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of various asset classes. The Plan's primary objective is to achieve a rate of return superior to the rate of return earned on the following benchmark portfolio asset mix:

Benchmark Portfolio Composition

ASSET CLASS	MARKET INDEX	TARGET WEIGHT	TARGET RANGE
Short-term investments	91 day Treasury Bills	5%	3-20%
Bonds	Scotia Capital Universe Bond Index	55%	40-70%
Canadian equities	Standard & Poors/TSX Capped Composite Index	16%	10-30%
U.S. equities	Standard & Poor's 500 Index (Cnd $)	12%	Total foreign 18-30%
Non-North American equities	Morgan Stanley Capital (MSCI) EAFE Index (Cnd $)	12%	
Total Fund		**100%**	

A secondary objective is to exceed the benchmark index in each of the asset classes in which the manager invests. The actual allocation of assets in 2004 conformed to the guidelines of the Policy as shown in the following graph:

ASSET ALLOCATION 2004 (at market value)

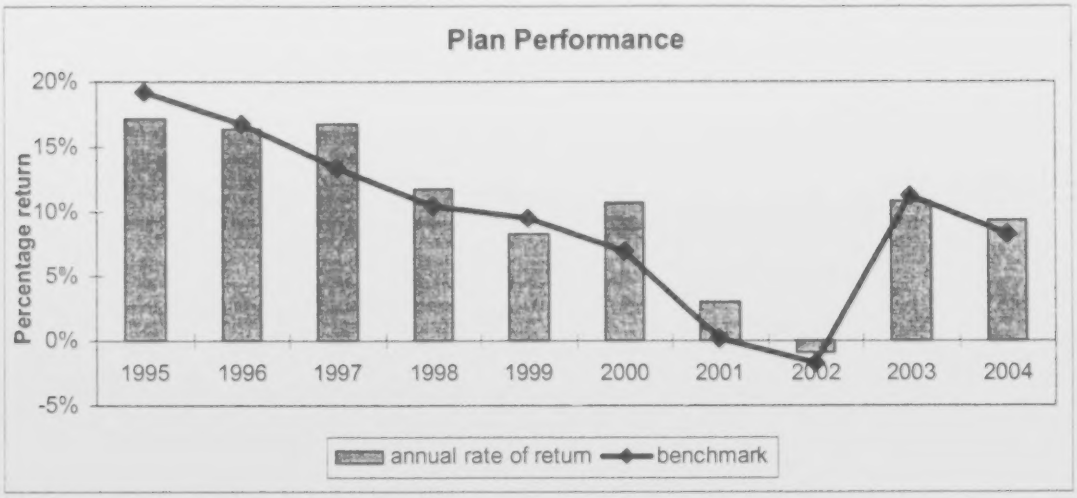


Of the total equity holdings, the following is a breakdown of specific equities held in the Plan with a market value exceeding $350,000:

Security Name	Shares #	Market Value $
Bank of Nova Scotia	12,990	528,693
Power Corp CDA	12,790	396,490
ManuLife Financial Corporation	6,680	370,072

Investment Performance

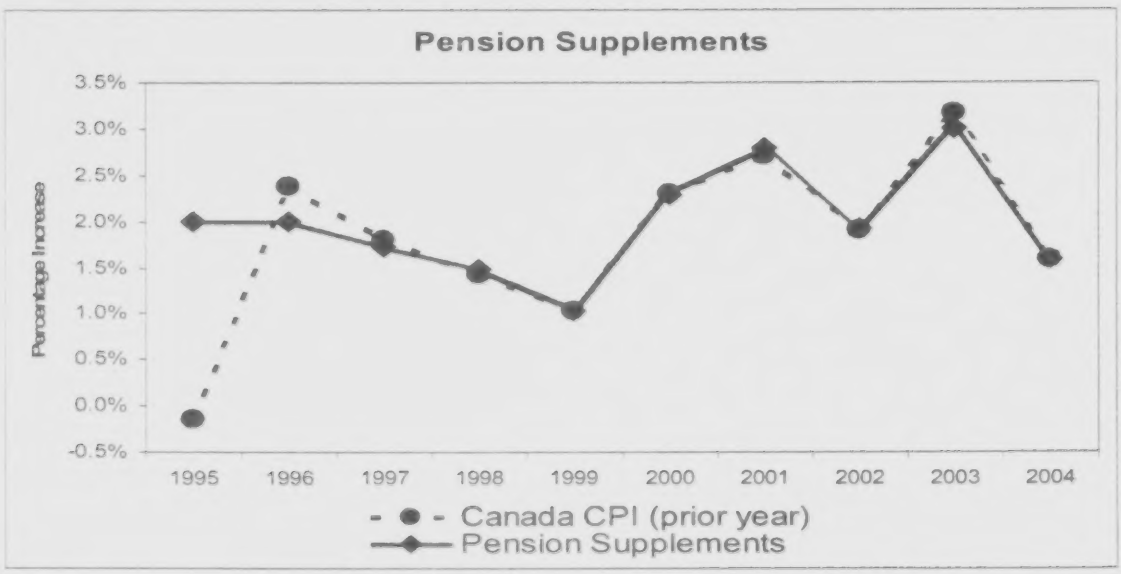
The Plan's performance is measured by comparing its return to that of the benchmark portfolio. The Plan's return in 2004 is 9.3%, slightly higher than the target rate of return of 8.2%. The following graph illustrates how annual returns may fluctuate from year to year.



A common standard within the pension fund industry is to calculate performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one year measurement. Over the period 2001 to 2004, the Plan averaged an annual return of 5.4%, 1.1% higher than the benchmark portfolio return of 4.3%.

Pension Supplements

Although not formally indexed, the Plan has consistently approved pension supplements, which are annual increases subject to limitation under *The Income Tax Act*. The Committee reviews the Plan status annually to assess the viability of pension supplements. The 2004 supplement was 1.58%. The following graph highlights pension supplements for the last 10 years in comparison to the CPI.



Financial Highlights

The Plan's net assets available for benefits totaled $44.4 million, a net decrease of $6.3 million from the previous year. The decrease is attributable to the following:

CHANGE IN NET ASSETS (000's)

	2004	2003
Income		
Investment income (net of expenses)	$ 3,845	$ 2,877
Change in market values of investments	163	2,045
Contributions	76	96
	4,084	5,018
Expenditures		
Benefits and termination refunds	10,216	3,536
Administrative expenses	149	117
	10,365	3,653
Increase (decrease) in net assets	**$(6,281)**	**$ 1,365**

The decrease of $6.3 million is mainly due to a decline in membership with 26 members leaving the Plan (see Note 5), resulting in termination refunds of $7.2 million (2003 - $321,000). Total benefit payments and termination refunds in 2004 are $10.2 million compared to $3.5 million in 2003. Investment income is $3.8 million, $90,000 more than 2003 with the increase primarily from gains on the sale of investments. The market value of investments increased by $163,000, compared to an increase of $2.0 million in 2003. The administrative expenses primarily represent fees paid to the investment manager, the custodian and the actuary for managing and recording the Plan's investments and monitoring the financial status of the Plan.

Based on the accounting valuation performed as at Dec. 31, 2002 and extrapolated to Dec. 31, 2004, the Plan's financial position is as follows:

PLAN SURPLUS (DEFICIT) (000's)	2004	2003
Actuarial value of net assets available for benefits	$44,377	$ 50,658
Present value of accrued pension benefits	44,721	50,427
	$ (344)	$ 231

Actuarial Valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise of providing benefit payments to all members of the Plan. To assess whether the Plan's assets are at a sufficient level to achieve this objective, an actuarial valuation is performed on a regular basis.

The actuarial valuation involves estimating the total amount required today together with future investment returns that will be sufficient to meet all required benefit payments. This total amount today is known as the Plan's actuarial liability. It is compared to the market value of the Plan's assets to determine the level of surplus assets or the level of deficit (where the actuarial liability exceeds the assets).

An actuarial valuation is conducted every three years to ensure Plan assets and contribution levels are adequate to provide long-term benefits. This is commonly known as a "funding valuation". As the Corporation is responsible for providing retirement benefits, SGI uses this funding valuation to determine the amount of contributions that are required to be deposited to the Plan each year. Based on the last funding valuation, the Corporation is currently not legally permitted to contribute to the Plan due to the *Income Tax Act* (ITA), which limits employer contributions based on maximum allowable surplus levels as disclosed in a funding valuation.

In addition to the funding valuation, a separate valuation is prepared to determine information for the Plan's financial statements. This is commonly known as an "accounting valuation". It is important to note that the actuarial assumptions used in the funding valuation may be different than those used in the accounting valuation. In particular the accounting valuation for this Plan includes a provision for uncommitted future ad hoc benefit increases, whereas the funding valuation only considers ad hoc benefit increases that have been granted to date.

Actuarial Methodology and Assumptions

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and the future events are deemed to occur according to these assumptions. For the purpose of this annual report an accounting actuarial valuation has been prepared.

To value the liabilities for the accounting valuation, the actuary examines Plan demographics such as age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners and surviving spouses who receive benefits from the Plan. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions. A summary of some of the key assumptions used in the accounting valuation is as follows:

ACCOUNTING VALUATION ECONOMIC ASSUMPTIONS	2004	2003
Discount rate – beginning of period	6.10%	6.20%
Discount rate – end of period	5.60%	6.10%
Expected rate of return on plan assets	6.75%	6.75%
Inflation rate	3.00%	3.00%
Expected salary increase	4.00%	4.00%
Post-retirement index	50% of CPI	50% of CPI

While the actuarial assumptions used to estimate the Plan's liabilities are a best estimate of future events, it is inevitable that the Plan's future experience will differ from the estimates. Any differences between the actuarial assumptions and future experience will emerge as gains or losses and will affect the financial position (surplus or deficit) of the Plan.

ACTUARIAL OPINION

With respect to the Contributory Superannuation Plan for Employees of Saskatchewan Government Insurance (the Plan), we have prepared an actuarial valuation and extrapolation of the Plan's financial status to December 31, 2004. This valuation and extrapolation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2004.

In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based is sufficient and reliable;
- the actuarial cost methods employed are appropriate; and
- the valuation conforms with the requirements of the Canadian Institute of Chartered Accountants Handbook Section 4100.

Where applicable, the assumptions used in this actuarial valuation have been adopted as management's best estimates. Consequently we have not rendered an opinion on these assumptions.

Emerging experience differing from the assumptions will result in gains or losses, which will be revealed in subsequent valuations.

This actuarial valuation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 16, 2005

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and surplus (deficit) of the Saskatchewan Government Insurance Superannuation Plan as at December 31, 2004, the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2004, the changes in net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

March 2, 2005

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS (DEFICIT)

As at December 31

	2004	2003
ASSETS		
Investments (Note 3)		
Bonds and debentures	$ 24,391,889	$ 27,257,294
Money market instruments	1,311,034	1,612,445
Pooled equity fund	4,966,947	6,136,935
Shares	13,858,535	15,345,439
	44,528,405	50,352,113
Accrued interest and dividends	188,235	242,784
Cash	2,514	109,298
TOTAL ASSETS	**44,719,154**	50,704,195
LIABILITIES		
Accounts payable	342,340	46,378
NET ASSETS AVAILABLE FOR BENEFITS	**44,376,814**	50,657,817
ACCRUED PENSION BENEFITS	**44,720,935**	50,426,785
SURPLUS (DEFICIT)	**$ (344,121)**	**$ 231,032**

Approved by the Superannuation Committee:

K. Taylor	J. Crighton	K. Klein
Chair	Member Representative	CIC Representative

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31

	2004	2003
INCREASE IN ASSETS		
Investment income		
Interest	$ 1,229,160	$ 1,452,943
Dividends	345,611	377,419
Net gain on sale of investments	2,366,999	1,139,452
Unrealized gain in market value of investments	162,642	2,044,999
	4,104,412	5,014,813
Employee contributions (Note 1(b))	76,246	96,235
TOTAL INCREASE IN ASSETS	**4,180,658**	5,111,048
DECREASE IN ASSETS		
Pension benefits	3,062,809	3,215,402
Termination refunds (Note 5)	7,153,287	320,854
Direct expenses (Note 6)	149,024	116,555
Investment expenses	96,541	93,223
TOTAL DECREASE IN ASSETS	**10,461,661**	3,746,034
INCREASE (DECREASE) IN NET ASSETS	**(6,281,003)**	1,365,014
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	**50,657,817**	49,292,803
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	**$ 44,376,814**	$ 50,657,817

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

Year Ended December 31

	2004	2003
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 50,426,785**	$ 49,944,716
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued benefits	2,738,000	3,003,000
Changes in actuarial assumptions	2,724,000	427,000
Pension benefits accrued	247,246	303,325
Plan amendment (Note 5)	-	650,000
	5,709,246	4,383,325
DECREASE IN ACCRUED PENSION BENEFITS		
Pension benefits	3,062,809	3,215,402
Termination refunds (Note 5)	7,153,287	320,854
Experience gain	-	365,000
Experience gain - Plan amendment (Note 5)	1,199,000	-
	11,415,096	3,901,256
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 44,720,935**	$ 50,426,785

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

1. DESCRIPTION OF PLAN

The following description of the Contributory Superannuation Plan for Employees of Saskatchewan Government Insurance (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

(a) General

The Plan is a contributory defined benefit pension plan covering some employees of Saskatchewan Government Insurance (SGI). This Plan is operated pursuant to Section 17 of the Saskatchewan Government Insurance Act, 1980. Since 1980, new employees hired are required to join the Capital Pension Plan.

(b) Funding Policy

(i) SGI and Plan members make contributions to the Plan. SGI contributes such amounts as recommended by the actuary in order that the benefits under the Plan may be properly funded. Employees contribute 6.5% of earnings, less a portion of their contributions to the Canada Pension Plan.

(ii) SGI has an employer-funding holiday ending Dec. 31, 2005 due to regulatory restrictions.

(c) Service Pensions

The Plan provides for a full pension at retirement based on the number of years of service, multiplied by the average of the highest five years earnings. Plan members who are less than age 65 and have completed 30 years of service may select early retirement with no reduction to pension. Plan members who are less than age 65 and have less than 30 years of service may select early retirement with a reduced pension.

(d) Disability Pensions

The Plan provides for early retirement when a Plan member is permanently incapable, due to medical reasons, of performing their regular job duties.

(e) Survivors' Pension

The type of pension selected by the Plan member will determine the amount, if any, to be paid as pension to the survivor.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to their full extent and plan conditions permit.

In a similar manner, a death refund is payable to the spouse, if any, otherwise to the estate or designated beneficiary of a member where the member is not a pensioner.

(g) Termination Refunds

When a member ceases to be employed by SGI, subject to lock-in provisions, termination refunds with interest are payable.

(h) Income Taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Plan are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the financial position of the Plan as a separate entity independent of SGI and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

(b) Investments

Bonds and debentures, pooled equity fund, money market instruments and shares are recorded at market value, based on year end market quotations. Transactions are recorded as of the trade date.

(c) Foreign Currencies

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sale of investments are included in investment income.

3. INVESTMENTS

Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(a) Bonds and debentures

The Plan's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of investment assets for corporate bonds and debentures. A minimum of BBB is placed on the investment grade of bonds and debentures that may be purchased.

The market value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Interest is generally receivable on a semi-annual basis.

	2004		2003	
Term to Maturity (years)	Market Value	Average Effective Rates	Market Value	Average Effective Rates
Government of Canada:				
After one through five	$ 7,237,227	3.1%	$ 6,583,317	3.9%
After five	6,386,175	4.4%	8,220,124	4.9%
Province of Saskatchewan:				
After one through five	-		306,228	4.0%
After five	321,228	5.2%	523,081	5.4%
Canadian provincial & municipal:				
After one through five	773,926	3.7%	376,002	3.0%
After five	4,562,398	4.7%	5,501,427	5.0%
Canadian corporate:				
After one through five	1,880,178	3.7%	2,735,751	4.1%
After five	3,230,757	4.9%	3,011,364	5.2%
Total bonds & debentures	$ 24,391,889		$ 27,257,294	

For bonds and debentures, the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

(b) Money market instruments

Money market instruments which comprise treasury bills and commercial paper have average effective interest rates of 2.6% (2003 – 2.8%) and an average remaining term to maturity of 93 days (2003 - 66 days). The Plan's investment policy states that investments must meet

minimum investment standards of R-1, as rated by a Recognized Bond Rating Agency at the time of purchase.

Carrying amounts for money market instruments approximate fair value due to the immediate or short-term nature of these financial instruments.

(c) Pooled equity fund

The Plan owns units in an international pooled equity fund which has no fixed interest rate and its return is based on the success of the fund manager.

The fair value of the pooled equity fund is considered to approximate quoted market values of the underlying investments, which is normally the latest bid price.

(d) Shares

Shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective dividend rate is 1.4% (2003 - 1.4%).

Included in shares are shares denominated in United States dollars with a carrying value of $6,040,125 (2003 - $6,767,243).

The Plan's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of common shares. As well, no one holding may represent more than 10% of the voting shares of any corporation.

The fair value of shares are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

4. INVESTMENT PERFORMANCE

The Plan's long-term investment performance objective is to achieve continued growth while avoiding unfunded liabilities and excessive volatility in annual rates of return. Continued growth remains a consideration in funding the liabilities associated with the active members as well as to provide ad hoc benefit increases to offset the impact of inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve its investment objectives. Accordingly, a diversified long-term asset mix strategy with a bias to fixed income is warranted.

The investment manager makes day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Superannuation Committee. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The Superannuation Committee reviews the investment performance of the Plan regarding the performance of the benchmark portfolio over rolling four year periods.

The following is a summary of the Plan's investment performance:

	Annual Return		Rolling Four-Year Average Annual Return	
	2004	2003	2004	2003
Plan's actual rate of return	9.3%	10.8%	5.4%	5.8%
Target rate of return	8.2%	11.2%	4.3%	4.0%

5. ACCRUED PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and management's best estimate assumptions.

The actuarial valuation performed as at Dec. 31, 2002 by Aon Consulting and extrapolated to Dec. 31, 2004 includes a provision for uncommitted ad hoc benefit increases.

Measurement of the present value of accrued pension benefits is uncertain, as estimates must be made of future interest rates, inflation rates and post-retirement index rates. For purposes of this actuarial valuation long-term assumptions used include:

ECONOMIC ASSUMPTIONS:	2004	2003
Discount rate – beginning of period	6.10%	6.20%
Discount rate – end of period	5.60%	6.10%
Expected return on plan assets	6.75%	6.75%
Inflation rate	3.00%	3.00%
Expected salary increase	4.00%	4.00%
Post-retirement index	50% of CPI	50% of CPI
Remaining service life of active members in years (EARSL)	5	5

If the discount rate assumption and inflation rate assumption each changes by 1%, the effect is a change in the Plan's accrued pension benefits of $4,707,000 and $2,463,000 respectively. If the post-retirement index rate assumption changes by 10% of CPI, the effect is a change in the Plan's accrued pension benefits of $1,330,000.

During 2003, the Plan became aware that the transfer value upon termination provided to retirees during the period Jan. 1, 1993 to Sept. 4, 2003 was inconsistent with the Plan text. The Plan text was amended during 2004 to allow affected pensioners an opportunity to opt out of the Plan given a revised transfer value, with the requirement that the option be exercised by June 30, 2004. The net impact of those members who elected to opt out of the Plan was a gain of $549,000. At Dec. 31, 2003, the accounting valuation of the Plan assumed that there would be a net loss for these members and as such recorded an estimated loss of $650,000. As a result, the impact in 2004 is an overall net gain of $1,199,000.

The fair value of the obligation for pension benefits has been omitted because it is not practicable to determine fair value with sufficient reliability.

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

The costs to administer the Plan are borne by SGI and are not reflected in the accompanying financial statements. However, direct out of pocket expenses including audit, actuarial and consulting fees are paid by the Plan.

Other related party transactions are described separately in the notes.

7. FAIR VALUES

The fair value of financial assets and liabilities, other than investments (note 3) and the obligation for pension benefits (note 5) approximate fair value due to their immediate or short-term nature.

8. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2003 balances have been reclassified to conform to 2004 financial statement presentation.